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SUBJECT: Ambassador Sobel's meeting with the Senate Foreign Relations and National Defense Committee

¶1. (SBU) Summary. Members of the Senate Foreign Relations and National Defense Committee told Ambassador Sobel in a closed, informal meeting on October 16 of concerns about a possible U.S.-Brazil tax treaty, fears of Venezuelan aggression, support for the Doha Round, and hopes for sustainable development in the Amazon region. The Ambassador was warmly received with praise for his outreach to Congress and efforts to improve the bilateral political and commercial relationship. Mission will follow up on senators' concerns on a tax treaty, and Ambassador Sobel plans to meet with the committee for another informal discussion in a few months. End summary.

Tax Treaty

¶2. (SBU) Senator Francisco Dornelles, a former finance minister, industry, commerce and trade minister, and labor minister, stated Brazil's tax treaty with the European Union allows EU firms' profits to be taxed only in Brazil, unlike the U.S. proposal for bilateral tax treaty, and for that reason opposes our proposal. In his view, a Brazil-U.S. tax treaty would harm Brazil's north and northeast states and upset Brazil's regional policies. He agreed to meet with embassy officers and Ambassador Sobel to discuss the matter further. Senator Sergio Guerra said it was important to continue the discussion and pledged his full support for a bilateral tax treaty if the Ambassador engages in a dialogue on the Dornelles's points. (Note: Dornelles does not represent of a majority of the Senate, according to Economics Committee Chairman Aloizio Mercadante. Septel forthcoming.)

Trade

¶3. (SBU) The Doha Round is important for a new leap forward and there are great expectations for its advancement, Senator Joao Tenorio said, and the Ambassador has fostered more bilateral contacts in agriculture and agribusiness, which are especially important to Brazil, particularly biofuels. Senator Tenorio also congratulated Ambassador Sobel for his work to improve the commercial relationship. Senator Arthur Virgilio declared his support for the Free Trade Area of the Americas, noting that Brazil has not helped Mercosul become a consolidated body, and dismissed charges that FTAA would be bad for Latin America. Referring to "the close relationship between Brazil and the U.S.," Virgilio urged the U.S. to be "more proactive," and urged Brazil to be "more pragmatic," especially so as "not to let Doha die."

Amazonia

¶4. (SBU) Senator Flexa Ribeiro noted that the U.S. once had a consulate in Para, but now has only a consular agency, and he would like to see relations improve, presumably including a U.S. consulate in Belem. He further suggested the USG and Brazil exchange views on the Amazon more often so as to promote its development while protecting it from environmental harm. He said the region has ten percent of Brazil's population but sixty percent of its territory. Ambassador Sobel noted that he would be speaking soon with Environment Minister Marina Silva about the upcoming visit of the U.S. Forest Service director, and that the USG is interested in helping Brazil preserve its forests.

Venezuela

¶5. (SBU) Senator Virgilio expressed a concern that Venezuela could attack Guyana, Brazil, or Colombia because President Hugo Chavez "first smashes things up, creates an arms race, and then attacks a neighbor." (Note: We have heard similar views from other Brazilian leaders in recent months. End note.) Senator Fortes said the U.S. should concern itself with all of South America, not only Venezuela.

¶6. (SBU) Comment: Senators clearly were appreciative of the Ambassador's effort to reach out, and took seriously the opportunity to engage. Ambassador Sobel plans to return to the committee soon for another informal conversation.

Participants

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¶7. U.S.

Ambassador Sobel
Stephen Liston, political counselor
Peter Tinsley, deputy political counselor
Dale Prince, political officer (notetaker)

Brazil

Heraclito Fortes, chairman (DEM, Democrats, opposition, Piaui)

Rosalba Ciarlini (DEM, Democrats, opposition, Rio Grande do Norte)

Gerson Camata (PMDB, Brazilian Democratic Movement Party, government coalition, Espirito Santo)

Francisco Dornelles (PP, Progressive Party, governing coalition, Rio de Janeiro)

Sergio Guerra (PSDB, Brazilian Social Democracy Party, opposition, Pernambuco)

Arthur Virgilio, leader of the PSDB in the Senate (PSDB, Brazilian Social Democracy Party, opposition, Amazonas)

Joaao Tenorio (PSDB, Brazilian Social Democracy Party, opposition, Alagoas)

Flexa Ribeiro (PSDB, Brazilian Social Democracy Party, opposition, Para)

Cicero Lucena (PSDB, Brazilian Social Democracy Party, opposition, Paraiba)

Marconi Perillo (PSDB, Brazilian Social Democracy Party, opposition, Goias)

Romeu Tuma (PTB, Brazilian Labor Party, governing coalition, Sao Paulo)

Serys Shlessarenko (PT, Workers Party, governing coalition, Mato Grosso)

Inacio Arruda (PCdoB, Communist Party of Brazil, governing
coalition, Ceara)

SOBEL